

South Carolina Retirement Systems



The Service Purchase Process

Purchasing service

- **Members may choose to purchase additional service to meet retirement eligibility sooner.**
- **Members cannot purchase service to meet the age eligibility.**
 - **For example, a member who is age 57 and has more than five years of earned service cannot purchase three years of service to meet retirement eligibility age (60 years).**



Service purchase types

- These are a few of the types of service a member may purchase:
 - Educational service
 - Public service
 - Previously withdrawn service
 - Non-qualified service
 - Military Service



How service credit is determined for purchased service

- Indexed Service Credit Threshold (see chart)
- Used to determine service credit for public, educational, and State ORP service
- May be applied to periods of previously **purchased** part-time credit or previously **earned** part-time credit



How to obtain a service purchase invoice

- Send the required forms, completed by the appropriate entities, to the Retirement Systems (see forms list in appendix).
- After an invoice is created and mailed to the member, the service verification remains on file for use if the member decides to purchase the service at a later date.
- Once a payment invoice expires a new salary verification form is required for any subsequent requests for a service cost.



Members purchasing service to meet retirement eligibility

- If a member needs to purchase a certain amount of service to meet retirement eligibility as of a certain date, write the following in the “comments” line of the *Request for Service Purchase Cost* (**Form 2101**):

Member wants to purchase enough service to have _____ years of service as of __/__/__ date of retirement.

- Also indicate in the comments section if the member will be using any unused sick leave to have 28 years of service (applicable for SCRS members retiring under 55/25 eligibility criteria).



Obtaining verification of previous service

- If a member is unable to verify public or educational service because records are no longer available, then other types of verification can be used such as:
 - Verification from Social Security (see appendix, [SSA Form 7050](#))
 - W-2 forms
 - If a member needs to obtain a copy of their DD214 or NGB22 to verify military service, see the contact information provided in the appendix ([Form 180](#)).
 - Affidavits are not acceptable



Obtaining verification for federal service

- See *Service Purchase Federal Address List* (Form 2391) for instructions.



The service purchase invoice

- The cost on the invoice is generally valid for six months.
- An expiration date is provided on the invoice.
- Payment will be accepted on or before the expiration date provided the member is actively employed.
- Complete the bottom of the invoice if the member wants an installment service purchase estimate and return it to our office.



Acceptable methods of payment

- Lump sum payment (deferred or non-deferred)
- Installment Service Purchase Program (deferred or non-deferred)
- See the *Service Purchase Payment Options Sheet* (**Form 2390**) in the appendix (also available on our Web site). This sheet is enclosed in the same envelope as the invoice.



Installment Service Purchase Program

- A member can purchase service for which they have an invoice by making payments through payroll deduction.
- Members have the choice of having payments withheld on a deferred (before tax) or non-deferred (after tax) basis.
- The interest rate for installment service purchases created during FY09 is 7 percent. See **Installment Service Purchase Monthly Payments** chart in your appendix for examples of monthly payments.



Tax-deferred installment payments (before taxes)

- Can pay off balance only by terminating employment or at retirement.
- Additional principle payments are not allowed.
- Pre-tax agreements are irrevocable; therefore, payments cannot be increased or decreased by the member unless they retire, terminate, or provide evidence of an unforeseen hardship defined under IRC section 457.
- If a hardship occurs, member must detail the hardship circumstances (as defined on the back of the agreement in your appendix – [Form 3227](#)) and submit in writing to our office for review.



Non-deferred installment payments (after taxes)

- **Less restrictive than deferred plan.**
- **Additional payments are accepted throughout the course of the loan.**
- **Member can pay off loan at any time.**



Reporting the installment payments

- **Employers on the State Comptroller General's (CG) payroll system:**
 - **The Retirement Systems' Service Accounting Department submits an authorization to the CG's office to initiate and terminate the payroll deduction.**



Reporting the installment payments

- Employers not on the CG's payroll system are responsible for withholding the payroll deduction.
- Installment payments are not correlated with your monthly or quarterly contribution procedures.
- Send a check for all installment payments no later than five days following each pay day in a brown envelope with a completed *Installment Service Purchase Remittance* (**Form 3229**).



When the installment purchase nears maturity

- The Retirement Systems mails notification of the final installment payment due date to the employer.
- If an employer deducts a payment from a member's paycheck after an installment purchase has been paid:
 - The Retirement Systems will refund the member directly for non-deferred installments.
 - For deferred installments, the refund is paid to the employer.



Summary quiz

- How often do you remit service purchase payments to the Retirement Systems?
- Can a member purchase service to meet retirement eligibility?



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This presentation is meant to serve as a guide but does not constitute a binding representation of the South Carolina Retirement Systems. The statutes governing the South Carolina Retirement Systems are found in Title 9 of the South Carolina Code of Laws, and should there be any conflict between this presentation and the statutes or Retirement Systems' policies, the statutes and policies will prevail.

Employers covered by the South Carolina Retirement Systems are not agents of the Retirement Systems.



Questions

